

7 of 21 DOCUMENTS

Copyright 2005 Information Access Company, a Thomson Corporation Company  
IAC (SM) Company Intelligence (R) — U.S.

Columbia Casualty Co.

333 S Wabash  
Chicago IL 60604  
United States

TELEPHONE: 312 822-5000

August 4, 2005

**IAC-ACC-NO:** 0001159300

**PUB-TYPE:** Company Profile

**INCORP-DATE:** January 1982

**INCORP-YEAR:** 1982

**EMPLOYEES:** 45 [Telephone Interview]

**COMPANY-TYPE:** Private Subsidiary, Headquarters Location

**NAICS:**

524126 Direct Property and Casualty Insurance Carriers

**PRIMARY SIC CODE:**

6331 Fire, Marine And Casualty Insurance

**DESCRIPTION:** Insurance: Fire, marine, and casualty insurance.

**ULTIMATE PARENT:** CNA Financial Corp.

**ULTIMATE PARENT NUMBER:** 0000301288

**IMMEDIATE PARENT:** CNA Financial Corp.

**IMMEDIATE PARENT NUMBER:** 0000301288

**REVENUES:** \$288,000,000

**REVENUE-TYPE:** TOTAL ASSETS

**REVENUE-SOURCE:** Estimate

**FISCAL YEAR END:** December 31, 2004

**EXECUTIVES:**

Chief Executive Officer:

Stephen Lilienthal, Chairman of the Board

**TOTAL-CITATIONS:** 10

**LAST-CITE-DATE:** October 4, 2004

Columbia Casualty Co. v. CP National Inc.

Texas Lawyer NA Oct 4 2004

IAC 122786343

CI US, 8/4/2005, Columbia Casualty Co.

Columbia Casualty Co. v. CP National Inc.[Brief Article]  
Texas Lawyer 20 NA June 6 2004  
IAC 117749024

Indevus Pharmaceuticals announces withdrawal of lawsuit filed by Columbia Casualty.  
Asia Africa Intelligence Wire NA Feb 14 2003  
IAC 97956752

Columbia Casualty Co. v. CP National Inc.  
Texas Lawyer NA Oct 4 2004  
IAC 122786343

Columbia Casualty Co. v. CP National Inc.[Brief Article]  
Texas Lawyer 20 NA June 6 2004  
IAC 117749024

Indevus Pharmaceuticals announces withdrawal of lawsuit filed by Columbia Casualty.  
Asia Africa Intelligence Wire NA Feb 14 2003  
IAC 97956752

Indevus Pharmaceuticals announces withdrawal of lawsuit filed by Columbia Casualty.  
Asia Africa Intelligence Wire NA Feb 14 2003  
IAC 97956752

10: Columbia Casualty Co.[Brief Article]  
Business Insurance 36 16 August 19 2002  
IAC 90642967

10: Columbia Casualty Co.[Brief Article]  
Business Insurance 36 16 August 19 2002  
IAC 90642967

Indevus Pharmaceuticals announces withdrawal of lawsuit filed by Columbia Casualty.  
Asia Africa Intelligence Wire NA Feb 14 2003  
IAC 97956752

URL: <http://www.cna.com>  
OTHER PHONE NUMBERS: [800]262-2000

**LOAD-DATE:** August 5, 2005

## 5 of 21 DOCUMENTS

Copyright 2005 Gale Group, Inc., All Rights Reserved  
Company Briefs-Gale Group

August 4, 2005

Columbia Casualty Co.

333 S Wabash  
Chicago, IL 60604  
United States

## \*\*\*\*\* COMMUNICATIONS \*\*\*\*\*

TELEPHONE: (312) 822-5000, (800)262-2000

URL: www.cna.com

## \*\*\*\*\* COMPANY IDENTIFIERS \*\*\*\*\*

GALE COMPANY NO: 0001159300

## \*\*\*\*\* COMPANY INFORMATION \*\*\*\*\*

INCORPORATION DATE: January, 1982

LEGAL STATUS: Private Subsidiary, Headquarters Location

EMPLOYEES: 45 (Telephone Interview)

## \*\*\*\*\* CORPORATE STRUCTURE \*\*\*\*\*

ULTIMATE PARENT: CNA Financial Corp.

IMMEDIATE PARENT: CNA Financial Corp.

## \*\*\*\*\* EXECUTIVES \*\*\*\*\*

## OFFICERS

NAME	TITLE	POSITION
Stephen Lilienthal	Chairman of the Board	Chief Executive Officer

## \*\*\*\*\* DESCRIPTION \*\*\*\*\*

Insurance: Fire, marine, and casualty insurance.

## \*\*\*\*\* MARKET AND INDUSTRY \*\*\*\*\*

## NAICS CODES:

524126 - Direct Property and Casualty Insurance Carriers

## SIC CODES:

6331 - Fire, Marine And Casualty Insurance

## \*\*\*\*\* FINANCIALS \*\*\*\*\*

FISCAL YEAR DATE: December 31, 2004

	SALES (Mill USD)	SOURCE	EMPLOYEES
2004	\$288.00	Estimate	45
2003	\$294.00	Estimate	46



1 of 21 DOCUMENTS

Copyright 2005 National Register Publishing,  
Reed Elsevier Inc.  
America's Corporate Finance Directory

September 6, 2005

CNA Financial Corporation

CNA Center 333 S Wabash Ave  
Chicago, IL 60685

\*\*\*\*\* COMMUNICATIONS \*\*\*\*\*

TELEPHONE: (312) 822-5000

FAX: (312) 822-6419

URL: www.cna.com

\*\*\*\*\* COMPANY IDENTIFIERS \*\*\*\*\*

TICKER: CNA

AMFIN NUMBER: 8135-006

\*\*\*\*\* COMPANY INFORMATION \*\*\*\*\*

FOUNDED: 1911

LEGAL STATUS: Public

EMPLOYEES: 12,100

\*\*\*\*\* CORPORATE STRUCTURE \*\*\*\*\*

SUBSIDIARIES:

CNA

CNA Insurance companies

CNA National Warranty Corporation

CNA Surety Corporation

Columbia Casualty Company

Continental Assurance Company

\*\*\*\*\* EXECUTIVES \*\*\*\*\*

OFFICERS:

Stephen W. Lilienthal, Chm & CEO

James R. Lewis, Pres & CEO-Property & Casualty Oper

D. Craig Mense, CFO

Jonathan D. Kantor, Gen Counsel, Sr VP & Sec

Michael Fusco, Chief Actuary & Exec VP

Lori Komstadius, Exec VP-HR

\*\*\*\*\* DESCRIPTION \*\*\*\*\*

Property, Casualty & Life Insurance

\*\*\*\*\* MARKET AND INDUSTRY \*\*\*\*\*

PRIMARY SIC:

6331 - Fire, marine, and casualty insurance

SECONDARY SIC:

6311 - Life insurance

America's Corp. Fin. Dir., 09/06/05, CNA Financial Corporation

**\*\*\*\*\* BALANCE SHEET \*\*\*\*\***

ASSETS: \$68,503,000,000  
LIABILITIES: \$59,551,000,000

**\*\*\*\*\* OTHER FINANCIALS \*\*\*\*\***

NET WORTH: \$8,952,000,000  
PENSION FUND ASSETS: \$2,029,000,000 (fiscal year ending December 31, 2004)

**\*\*\*\*\* SERVICE FIRMS \*\*\*\*\***

**AUDITOR:**  
Deloitte & Touche LLP, Chicago, IL

**LOAD-DATE:** September 6, 2005

11 of 21 DOCUMENTS

Copyright 2005 A.M. Best Company, Inc.  
Best's(R) Company Reports

July 22, 2005

Columbia Casualty Company

BUSINESS ADDRESS: CNA Center, 333 S. Wabash, Chicago, Illinois, United States 60685

\*\*\*\*\* COMMUNICATIONS \*\*\*\*\* Telephone: 312-822-5000

Fax: 312-822-6419

URL: <http://www.cna.com>

\*\*\*\*\* COMPANY IDENTIFIERS \*\*\*\*\* AMB#: 03538

FEIN#: 47-0490411

NAIC#: 31127 Publicly Traded Corporation: CNA Financial Corporation NYSE: CNA

\*\*\*\*\* COMPANY INFORMATION \*\*\*\*\* Group Affiliation: CNA Insurance Companies

\*\*\*\*\* DESCRIPTIONS \*\*\*\*\* INDUSTRY TYPE: Property/Casualty

\*\*\*\*\* TEXT OF REPORT \*\*\*\*\* BEST'S RATING

Based on our opinion of the consolidated Financial Strength of the property/casualty members of CNA Insurance Companies, which operate under a group structure, each group member is assigned a Best's Rating of A (Excellent). The company is assigned the Financial Size Category of Class XV, which is the Financial Size Category of the group.

**RATING RATIONALE**

The following text is derived from the report of CNA Insurance Companies.

Rating Rationale: The rating applies to the group's former nine-member Continental Casualty Companies intercompany pool and the former fifteen-member Continental Insurance Companies intercompany pool which both are now operating under a reinsurance quota share agreement covering all in-force business. Additionally, Continental Insurance Company cedes all business to Continental Casualty Company through a 100% intercompany quota share agreement. A.M. Best assigns each of these companies a group rating based on the quota share reinsurance agreements.

The rating reflects CNA's strong capitalization, improved core underwriting fundamentals and good business position as a top writer within the commercial lines segment of the U.S property/casualty industry. The rating also considers CNA's financial flexibility derived through capital support provided by its ultimate parent, Loews Corporation. CNA's operating platform demonstrates considerable geographic and product line scope, well-established agency relationships, substantial service capabilities and targeted marketing approach. Somewhat offsetting these strengths are the group's unsatisfactory operating performance in aggregate prior to 2004 and the operational and financial risks of potential adverse loss reserve development related to both core property and casualty and asbestos and environmental (A&E) loss reserves. Although declining, charges related to restructuring and bad debt provisions for insurance and reinsurance receivables continue to impact operating margins. Collectively, these charges have tempered the overall impact that improved core underwriting results have had on the group's financial position. CNA maintains high gross leverage measures relative to its current A.M. Best rating, due primarily to high liability leverage consistent with other predominate casualty writers and substantial reinsurance utilization, which also has a negative impact on net investment income due to the commensurate pretax interest expense on funds withheld related to certain reinsurance arrangements. The outlook reflects A.M. Best's views pending CNA's demonstration of continued operating profitability, liquidity and balance sheet strength that is commensurate with

"A" carriers.

CNA experienced a significant operational turnaround during 2004 that is largely the result of implemented strategic initiatives that have better enhanced the group's overall risk selection in core markets, organizational and operational structure and technological platform with regard to data management. These factors, taken into account with consecutive years of premium rate increases and re-underwriting initiatives coming to fruition, have led to improved results and a more favorable prospective operating outlook on core property/casualty businesses. Operational initiatives included the execution of CNA Financial's restructuring plan to shed non-core businesses and focus on property/casualty markets, implementation of expense reduction initiatives and achieve rate adequacy rates through pricing improvements. Current accident years are benefiting from the compound effects of these factors and although still relatively immature, accident years 2002-2004 are favorably developing through this point. Information systems and data capturing functionalities utilized to manage underwriting, claims and reserving improved markedly over the past three years, which should increase the likelihood that management can effectively react to changing market dynamics. Lastly, talent at the leadership and technical levels has been upgraded and management continues to remove organic infrastructure cost.

Over the five-year period, adverse loss reserve development has impacted CNA's earnings and capitalization to a vast degree. More specifically, CNA took charges totaling \$1.8 billion (net of corporate aggregate covers and after tax) in 2003 primarily to strengthen core loss reserves for accident years 2000 and prior and asbestos and environmental (A&E) reserves. During 2001, CNA took a \$2.2 billion (net of corporate aggregate covers and after tax) charge principally related to loss reserve strengthening for both core loss reserves and A&E reserves. Loews Corporation has provided over \$2.9 billion of capital support to CNA to restore the group's capitalization and support ongoing business. While the group has recorded extremely large reserve charges in two of the last four years and potential for continued prior year loss emergence always exists, the magnitude of the reserve charges reduces the likelihood of material adverse development in the near term. Despite management's proactive actions in addressing loss reserve deficiencies and reducing exposures to high-hazard casualty business lines, accident years 1997-2001 continue to develop adversely for commercial lines loss reserves. Due to the breadth of CNA's insurance operations, the group is exposed to a wide range of risks pertaining to challenging claims dynamics in several business lines. Management has aggressively restructured the underlying book of business with the focus of improving the group's overall risk profile.

::

Best's Rating A g

Outlook Negative

#### FIVE YEAR RATING HISTORY

Date	Best's Rating
06/21/05	A g
06/15/04	A g
11/12/03	A g
06/19/03	A g
11/20/02	A g
09/27/01	A g
08/02/01	A g

#### KEY FINANCIAL INDICATORS

Period Ending	Statutory Data (\$000)		Pretax Operating Income
	Direct Premiums Written	Net Premiums Written	



## KEY FINANCIAL INDICATORS

2000	255,308	158,918	20,813
2001	238,035	112,556	-50,307
2002	429,135	-89,416	34,221
2003	748,990	...	710
2004	789,583	...	3,688
03/2004	223,382	...	426
03/2005	246,164	...	1,102

## Statutory Data (\$000)

Period Ending	Net Income	Total Admitted Assets	Policy- holders' Surplus
2000	19,263	729,908	233,093
2001	-17,699	662,331	219,716
2002	48,354	29,555	19,464
2003	1,016	122,053	120,773
2004	3,828	124,871	124,850
03/2004	477	127,845	121,194
03/2005	1,102	125,865	125,844

Period Ending	Profitability			Leverage			Liquidity	
	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev	Overall Liq (%)	Oper. Cash- flow (%)
2000	113.4	7.4	13.5	13.1	0.7	2.8	146.9	100.0
2001	183.2	5.8	-52.7	16.5	0.5	2.5	149.6	66.9
2002	...	11.7	...	0.4	...	0.5	292.9	3.8
2003	...	2.8	...	...	...	0.0	999.9	...
2004	...	5.2	...	...	...	0.0	999.9	999.9
5-Yr Avg	157.4	7.4	3.7	...	...	...	...	...
03/2004	...	XX	...	XX	...	0.1	999.9	...
03/2005	...	XX	...	XX	...	...	999.9	...

(\*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement. Within several financial tables of this report, this company is compared against the Professional Surplus Lines Writers.

## BUSINESS REVIEW

The following text is derived from the report of CNA Insurance Companies.

CNA Insurance Companies is a national, multi-line property/casualty insurer, that focuses on underwriting standard and specialty commercial lines, surety, marine and other property/casualty coverages. Leading business lines include general liability, professional liability, workers' compensation, and automobile liability. The company ranks as the 7th

largest commercial lines writers and 14th largest property casualty insurance company based on statutory net premium writings. In addition to underwriting services, CNA provides risk management, information services, risk control and claims administration services. Operations are based on a strategy of industry segmentation through which the group offers specialized insurance products to its clients that pertain to and are priced for their particular industry or targeted class. CNA's business is conducted nationwide through an extensive branch office and agency organization represented by approximately 5,000 independent agents and brokers.

In 2004, CNA changed the structure of its organization parallel to how the group makes business decisions. CNA's core business is property/casualty operations structured in two major segments: Standard Lines and Specialty Lines. CNA's non-core operations are controlled in two segments: Life and Group Non-Core and Corporate and Other Non-Core.

Standard Lines, the group's largest segment, provides standard property & casualty coverages for small, mid-sized and large businesses, typically with less than \$1 million of annualized premiums. Key product lines offered in Standard Lines include general and product liability, workers' compensation and commercial auto liability coverages. This segment also provides customized programs for excess and surplus lines, affinity groups, trade associations and franchises. The group markets its Standard Lines products through the independent agency distribution system, managing general agencies and a network of brokers. In addition, Standard Lines provides total risk management services relating to claim services, loss control, cost management and information services to the commercial insurance marketplace. Also included in the Standard Lines segment is CNA Global, which consists of Marine and Global Standard Lines. Housed in this sector are domestic and international ocean/marine operations and global property/casualty operations with a presence in Europe.

Specialty Lines offers tailored products and services to manage the risks of its clients, which include architects, engineers, accountants, lawyers, healthcare professionals, financial intermediaries and corporate directors and officers. Product offerings also include surety and fidelity bonds, and vehicle warranty services. The group markets its Specialty Lines products through a network of brokers, managing general agencies and independent agencies. The Specialty Lines segment has incrementally increased as percentage of core property/casualty premium writings during the past three years largely due to generally higher rate increases and somewhat broader market opportunities.

The Life and Group Non-Core business consists of run-off Life and Group Operations. Consistent with management's decision to focus on core property/casualty operations, CNA divested assets related to individual life and group benefits business. In December of 2003, CNA sold the majority of its group benefits business and in April of 2004, the company sold its individual life business. CNA completed the sale of its specialty medical business in March, 2005. The assets that were not sold include individual and group long term care, structured settlements and institutional markets and are in the process of being run-off.

Corporate and Other Non-Core segment includes property/casualty business lines that are in run-off including the group's former reinsurance unit, CNA Re. CNA Re had been a top 10 U.S. reinsurance provider prior to being placed in run-off. CNA Re's renewal rights were sold to Folksamerica Re during October 2003. Also included in this segment are the settlement of asbestos and environmental pollution mass tort (APMT) claims, participation in voluntary insurance pools and other non-insurance operations.

#### 2004 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	Premiums Written		% of Total	Pure Loss	Loss & LAE
	Direct	Net	NPW	Ratio	Reserves
Prod Liab CI-Made	82,910	...	...	...	...
Com'l MultiPeril	20,326	...	...	...	...
Oth Liab CI-Made	455,324	...	...	...	...
Oth Liab Occur	76,055	...	...	...	...
Med Mal CI-Made	130,366	...	...	...	...
All Other	24,602	...	...	...	...
Totals	789,583	...	...	...	...

Major 2004 Direct Premium Writings By State (\$000): California, \$ 95,858 (12.1%); New York, \$ 85,446 (10.8%); Pennsylvania, \$ 54,149 (6.9%); Florida, \$ 53,785 (6.8%); New Jersey, \$ 38,103 (4.8%); 46 other jurisdictions, \$ 459,213 (58.2%); Aggregate Alien, \$ 3,030 (0.4%).

## FINANCIAL PERFORMANCE

The following text is derived from the report of CNA Insurance Companies.

**Overall Earnings:** CNA's overall earnings improved significantly during 2004, reflective of more normalized underwriting results driven by the absence of significant loss reserve development, reduced bad debt provisions for insurance and reinsurance receivables and the performance benefits derived from improved underwriting fundamentals in more recent accident years. Despite these improvements, CNA's pretax operating earnings are unfavorable when assessing the five-year average pretax return on revenue and surplus measures, which trail the commercial lines industry composite. Finally, the group's results over the last five years have demonstrated volatility, as accident years 2000 and prior have been grossly unprofitable while the more recent accident years are currently developing more favorably. In addition to significant adverse loss reserve development recorded in 2001 and 2003, charges related to bad debt provisions for insurance and reinsurance receivables, pretax interest expense on funds withheld, and catastrophe losses affected CNA's operating performance. The reduction of assets in some years as well as the prolonged low interest rate environment has affected investment income and tempered overall earnings and cash flow generation.

On a total return basis, CNA's 2004 net earnings improved due largely to a boost in unrealized gains attributed to the increased carrying value of subsidiaries Continental Assurance Co. (CAC) and CNA Surety as well as improved underwriting results. Impacting the increased carrying value of CAC was the aforementioned divestiture of the individual life business to Swiss Re Life & Health while CNA Surety experienced an increase in market value during the year. Realized capital gains attributed to the group's fixed income portfolio and the sale of Canary Wharf common stock in the second quarter contributed to strong total return measures for 2004. In years prior, fluctuating underwriting results coupled with unrealized losses led to CNA generating total return measures that underperformed industry composite averages.

A.M. Best recognizes improvement in underwriting and underlying accident year operating performance that appear to be fundamental due to the significant progress achieved through the implementation of a detailed restructuring plan. CNA Financial's restructuring plan centered on shedding non-core businesses, implementing expense reductions, and pricing increases to achieve rate adequacy. The current book has been fully re-underwritten and current accident years are benefiting from compounded significant rate increases garnered since 2001. Further, CNA has consolidated its core property/casualty operations by designating Continental Casualty Company as the lead operating platform. The company has focused on reducing its exposure to high-hazard risks and has focused on its strategy of portfolio optimization by offering more products to existing insureds through extensive cross-selling strategies.

Despite these improvements, A.M. Best is somewhat concerned with the potential longer-termed deterioration of underwriting results as market conditions are turning downward along the pricing cycle with competitive pressures emerging; especially in CNA's Standard Lines segment. Further, despite declining in 2004 relative to 2003, bad debt provisions suppressed operating margins as did significant interest payments attributed to cessions to corporate aggregate reinsurance and other treaties that can increase relative to actual accident year loss experience. It is important to clarify that current pricing levels are well above where price per risk exposure was five years ago and that CNA has reduced the overall exposure of its book. A.M. Best expects that on a total return basis, CNA's results, absent of another significant reserve charge, are expected to remain profitable, especially considering the group's largely conservative investment strategy and the anticipation that the majority of the group's asset divestitures are now completed.

## PROFITABILITY ANALYSIS

Period	Company				Industry Composite			
	Pretax ROR	Return on PHS(%)	Comb. Ratio	Oper. Ratio	Pretax ROR	Return on PHS(%)	Comb. Ratio	Oper. Ratio
Ending 2000	(%) 13.5	8.2	113.4	85.1	(%) 14.9	-12.4	108.9	81.8

PROFITABILITY ANALYSIS								
2001	-52.7	-7.9	183.2	146.7	3.7	-0.6	113.7	83.4
2002	...	41.5	...	...	9.7	4.2	95.0	79.6
2003	...	1.7	...	...	20.8	19.3	95.3	82.3
2004	...	3.2	...	...	15.2	12.1	94.6	82.9
5-Yr Avg	3.7	7.3	157.4	110.5	14.5	4.8	98.3	82.1
03/2004	...	XX	...	...	XX	XX	XX	XX
03/2005	...	XX	...	...	XX	XX	XX	XX

Underwriting Income: Despite stabilizing in 2004, CNA's underwriting results compare unfavorably to the commercial casualty industry composite, as reflected by the group's elevated five-year average combined ratio that exceeds industry composite norms. CNA's collective underwriting performance over the last five years is reflective of substantial adverse loss reserve development attributed to prior accident years, catastrophe losses, intense competition that affected pricing adequacy and charges related to bad debt. Specifically, 2003 and 2001 were particularly poor due to the aforementioned reserve charges in those years of \$1.8 billion and \$2.2 billion (net of corporate covers and after tax), respectively. The reserve charges are the clear drivers of the five-year underwriting averages. This impact is compounded from the increase in premiums ceded to corporate aggregate and other reinsurance treaties in both 2003 and 2001 that greatly reduces earned premium and somewhat magnifies the loss ratio. In 2004, CNA did not cede premiums related to the corporate aggregate and other reinsurance treaties.

CNA's underwriting results demonstrated considerable improvement during 2004, as the consolidated statutory combined ratio of 104.6 was reported despite catastrophic losses of \$196 million after-tax (\$301 million pretax), an increase from \$93 million after-tax (\$143 million pretax) in 2003. The rise in catastrophe losses is attributed to Hurricanes Charley, Frances, Ivan and Jeanne, which collectively accounted for \$178 million after-tax (\$273 million pretax) of CNA's 2004 catastrophe losses. The magnitude of these four hurricanes could have been more significant had CNA not reduced its coastal exposures in Florida, one of CNA's largest markets when measured by direct premiums written. Although bad debt expenses related to business written for professional employer organizations (PEO) impacted results, efforts to improve collections have led to a decline in bad debt provisions and expense reduction initiatives and asset divestitures have reduced operating expenses. A key component of CNA's restructuring plan is to reduce operating expenses. In 2004, management indicates that over \$100 million of organic cost savings was realized at CNA. The group has communicated that carving another \$100 million from its ongoing expense structure is a strategic goal for 2005.

Total statutory adverse loss reserve development for CNA in 2004 was approximately, \$255.8 million, a sharp reduction when comparing reserve development in the prior year. The leveling of reserve development coupled with the benefits of compounded annual rate increases led to improved cash flow in 2004 and pretax operating margins in the high single digits. Adverse loss reserve development was experienced in calendar year 2004 in the workers' compensation line, other liability occurrence, with favorable development in commercial multi-peril, commercial auto, and product liability occurrence somewhat reducing this. In stark contrast with 2003, the impact of APMT loss reserve development for CNA was minimal in 2004.

While A.M. Best believes that underwriting fundamentals and the reclassification of risk selection are sound drivers that should benefit the group's prospective underwriting position, pricing in major commercial lines market segments continues to fall on the downward slope of the industry pricing cycle after several years of hard market conditions. To better respond to market trends, CNA has implemented tighter underwriting controls than what was evident in past years. Improved information systems and data quality management buttresses a streamlined management alignment involving underwriting regions and executives in the corporate home office. The benefits of more stringent risk selection due to reduced writings in high-hazard businesses has improved the group's overall underwriting platform on core business lines, going forward. More specifically, CNA has implemented silica exclusions in its policy language and has exited challenging risk classes such as residential construction and professional employer organizations (PEO) businesses. Further, the group has reduced its exposure to large workers' compensation risks and has generally increased its focus on small to middle

market business. CNA's focus on portfolio optimization and increasing the marketing of insurance products to existing insureds are strategies designed to manage the market downturn while maintaining a desired underwriting portfolio of selected risks.

By streamlining the structure of its core property/casualty operations and vastly improving information reporting systems, CNA has addressed issues that magnified the challenging underwriting results of the soft-market accident years prior to 2002 by effectively reducing the layers of the organization and enhancing data management systems. A.M. Best expects that CNA will be able to respond more fluidly to changes in loss cost trends and be in a stronger position to weather the down turn of the market pricing cycle. However, underwriting results are still exposed to run-off APMT non-core loss reserves, assumed reinsurance run-off reserves and prior year core casualty loss reserve development. The group is also exposed to run-off reserves related to group and individual long term care that were not divested as part of the sales of the group and individual life. A.M. Best will look for continued stabilization of CNA's underwriting results as near-term improvements could potentially be challenged to some degree by legacy issues that are still looming but to a more moderate degree given the group's proactive stance in addressing operational issues as they arise.

#### UNDERWRITING EXPERIENCE

Year	Net Undrw Income (\$000)	Loss Ratios			Expense Ratios				
		Pure Loss	LAE	Loss & LAE	Net Comm	Other Exp.	Total Exp.	Div. Pol.	Comb Ratio
2000	-22,377	65.7	13.0	78.7	15.7	17.5	33.1	1.6	113.4
2001	-85,847	120.4	22.5	142.9	15.6	21.5	37.2	3.2	183.2
2002	...	...	...	...	36.1	-36.1	...	...	...
2003	...	...	...	...	...	...	...	...	...
2004	...	...	...	...	...	...	...	...	...
5-Yr Avg	...	86.7	16.6	103.3	-41.3	93.2	51.9	2.2	157.4
03/2004	...	...	...	...	XX	XX	...	...	...
03/2005	...	...	...	...	XX	XX	...	...	...

Investment Income: CNA has produced investment income at varied levels during the past five years due to a fluctuating asset base, reflective of the sale of certain businesses and the impact of negative operating cash flow in three of the past five years on the asset base. Further, due to CNA's elevated reinsurance utilization, interest expense on funds withheld and other deposits has impacted investment income on a GAAP basis by \$267 million, \$344 million and \$239 million in 2004, 2003, and 2002, respectively. A large portion of these costs are attributed to CNA's cessions to the corporate aggregate reinsurance and other treaties. Under the terms of the contracts, the greater the cession, the greater the interest costs on the funds withheld and other deposits. However, despite this, the group's overall investment yields compare favorably to the industry composite and in 2004, the group's investment income benefited from reduced interest expense on funds withheld and other deposits. Further, due to reduced premiums ceded to the corporate aggregate reinsurance and other treaties as well as significantly improved underwriting results, CNA experienced very strong operating cash flow in 2004.

After divesting the majority of unaffiliated common stock investments by the end of 2001, CNA maintains a conservative invested asset-base comprised of fixed income securities of very high quality. Investment grade bonds account for approximately 80% of all invested assets. The bond portfolio is comprised of publicly traded government bonds, asset backed securities, mortgage-backed securities, municipal bonds and corporate bonds with diversification by industry and issuer being a prominent strategy. The non-affiliated investment portfolio is primarily composed of a diversified fixed income portfolio, cash and short-term investments. The group's investment income benefits from the considerable dividends from affiliated investments paid by Continental Assurance Co. Unaffiliated common stocks and limited partnerships now represent a small percentage of the investment portfolio. The group focuses on an asset and liability matching approach where the duration of the investment portfolio is matched to its expected outflow of liabilities to meet future liquidity needs.

## INVESTMENT INCOME ANALYSIS (\$000)

Year	Company		
	Net Inv Income	Realized Capital Gains	Unrealized Capital Gains
2000	43,435	1,422	-869
2001	34,902	13,221	-161
2002	34,221	15,770	1,325
2003	713	306	148
2004	3,688	140	156
03/2004	426	51	10
03/2005	1,102	...	-6

Year	Company			Industry Composite	
	Inv Inc Growth (%)	Inv Yield (%)	Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2000	13.2	7.4	7.5	-47.3	4.6
2001	-19.6	5.8	8.0	-1.6	5.0
2002	-1.9	11.7	18.1	9.7	4.8
2003	-97.9	2.8	4.7	15.7	4.4
2004	417.5	5.2	5.6	0.8	3.6
5-Yr Avg	-90.4	7.4	9.5	-33.6	4.4
03/2004	XX	XX	0.7	XX	XX
03/2005	XX	XX	0.9	XX	XX

## INVESTMENT PORTFOLIO ANALYSIS

Asset Class	2004 Inv Assets (\$000)	% of Invested Assets		Annual % Chg
		2004	2003	
Long-Term bonds	121,701	97.8	93.1	500.8
Other Inv Assets	2,714	2.2	6.9	82.1
Total	124,416	100.0	100.0	472.1

## 2004 BOND PORTFOLIO ANALYSIS

Asset Class	% of Total Bonds	Mkt Val to Stmt Val(%)	Avg. Maturity (Yrs)	Class 1 - 2 (%)	Class 3 - 6 (%)	Struc. Secur. (%)	Struc. Secur. (% of PHS)
Government s	8.1	9.4	7.3	100.0	...	...	...
States, terr &	91.0	-1.7	14.9	100.0	...	5.5	4.9



## 2004 BOND PORTFOLIO ANALYSIS

poss							
Corporates	0.8	...	0.5	100.0	...	...	...
	100.0	-0.8	14.1	100.0	...	5.0	4.9
Total all bonds							

## CAPITALIZATION

The following text is derived from the report of CNA Insurance Companies.

Capital Generation: During the five-year period, the statutory entities of CNA has lost surplus at a compounded annual rate of 3.9 %. This despite nearly \$2.3 billion of contributed capital from CNAF's ultimate parent company, Loews Corporation (Loews). The negative trend sharply reversed in 2004, largely due to improved overall earnings, as CNA increased statutory surplus by nearly 13%. Although a large portion of this is attributed to good underwriting results, one-time gains related to the sale of assets also contributed to the increased bottom line.

In 2000, surplus declined moderately as unrealized losses and taxes related to the liquidation of Global Crossing and Canary Wharf shares and stockholder dividends offset realized gains related to those two large equity holdings and increased operating income. In 2001, surplus declined by over 25% reflective of the aforementioned decline in underwriting performance and net investment income despite a \$1.0 billion capital contribution from Loews. Surplus increased by 10% in 2002 driven by improved operating results and a \$250 million capital contribution partially offset by realized and unrealized capital losses. Surplus declined 7% in 2003 due to the \$2.4 billion of charges taken followed by the capital contributions by Loews totaling \$1.1 billion. The statutory entities pay annual stockholder dividends to CNAF to fund its debt service obligations. However, CNAF has not paid dividends to Loews.

## CAPITAL GENERATION ANALYSIS (\$000)

Year	Source of Surplus Growth		
	Pretax	Total	Net
	Operating	Inv.	Contrib.
	Income	Gains	Capital
2000	20,813	553	...
2001	-50,307	13,060	...
2002	34,221	17,096	-240,500
2003	710	454	100,200
2004	3,688	296	...
5-Yr Total	9,125	31,459	-140,300
03/2004	426	61	...
03/2005	1,102	-6	...

Year	Source of Surplus Growth		
	Other,	Change	PHS
	Net of	in	Growth
	Tax	PHS	(%)
2000	-3,273	18,093	8.4
2001	23,870	-13,377	-5.7

2002	-11,070	-200,253	-91.1
2003	-55	101,310	520.5
2004	93	4,077	3.4
5-Yr Total	9,565	-90,150	...
03/2004	-66	420	0.3
03/2005	-103	993	0.8

Overall Capitalization: CNA maintains strong capitalization as measured by Best's Capital Adequacy Ratio (BCAR) analysis that supports the current Best rating. The capital position takes into account the group's strengthened loss reserve position and capital support in past years from CNA's ultimate parent, Loews Corporation. The group divested non-core assets in 2003 and 2004 related to its individual life and group benefits business, which has improved its overall surplus position. Although the group maintains capitalization that supports the current rating, the quality of CNA's capital base in A.M. Best's view is somewhat impacted by the group's above average net and gross underwriting leverage relative to industry norms; despite improving in 2004. Although the group has considerably improved its current risk profile, legacy issues related to APMT liabilities, older accident year casualty loss reserves and reinsurance dependence lead to concerns that capitalization could be impacted, going forward. A.M. Best's longer-term view of capitalization will likely improve should CNA continue to demonstrate long-term stability in loss reserve development and operations that became evident in 2004.

CNA Financial Corporation benefits from the strength and historical commitment of its majority owner, Loews Corporation, which maintains significant financial resources to support long-term growth strategies. In addition, CNAF maintains moderate financial leverage; however, fixed charge earnings coverage ratios have fluctuated due to CNA's challenged operating performance.

#### QUALITY OF SURPLUS (\$000)

Year	Year-End PHS	Cap Stk/Contrib. Cap.	% of PHS		Stockholder Divs	Dividend Requirements	
			Other	Un-assigned Surplus		Div to POI (%)	Div to Net Inc. (%)
2000	233,093	21.2	...	78.8	...	...	...
2001	219,716	22.4	-0.2	77.8	...	...	...
2002	19,464	58.1	...	41.9	-202,500	591.7	418.8
2003	120,773	92.3	...	7.7	...	...	...
2004	124,850	89.3	...	10.7	...	...	...
03/2004	121,194	92.0	...	8.0	...	...	...
03/2005	125,844	88.6	...	11.4	...	...	...

Underwriting Leverage: Since 2000, CNA's net and gross underwriting leverage measures have increased significantly. In 2000 and 2001 a significant reduction in surplus outpaced generally declining premium volumes and associated liabilities and the group reported a significant increase in ceded leverage due to the utilization of existing corporate aggregate reinsurance treaties to offset the aforementioned underwriting losses. During 2002, CNA's net and gross leverage measures declined modestly as growth in surplus outpaced changes in net written premium volume and associated liabilities. In 2003, CNA's net and gross underwriting leverage measures increased due to an increase in liabilities following the \$2.4 billion after-tax charge, utilization of the corporate aggregate reinsurance treaties and a modest decline in surplus despite the capital contributed by Loews. Due to improved earnings, relatively stable loss reserve development, reduced ceded premiums and measured premium growth reflective of competition emerging in the commercial lines industry, CNA significantly reduced its overall underwriting leverage measures in 2004. Nonetheless, the group's net and gross underwriting leverage measures continue to remain above the commercial casualty industry composite. :



## LEVERAGE ANALYSIS

Year	Company				Industry Composite			
	NPW to PHS	Reserves to PHS	Net Lev	Gross Lev	NPW to PHS	Reserves to PHS	Net Lev	Gross Lev
2000	0.7	1.6	2.8	2.8	0.4	0.8	1.4	2.7
2001	0.5	1.5	2.5	2.5	0.4	0.7	1.8	3.4
2002	...	...	0.5	0.5	0.8	0.7	2.5	4.3
2003	...	...	0.0	0.0	0.7	1.0	2.6	4.2
2004	...	...	0.0	0.0	0.7	1.0	2.4	3.9
03/2004	...	...	0.1	XX	XX	XX	XX	XX
03/2005	...	...	...	XX	XX	XX	XX	XX

Current BCAR 160.9

## PREMIUM COMPOSITION &amp; GROWTH ANALYSIS

Period Ending	DPW		GPW	
	(\$000)	(% Chg)	(\$000)	(% Chg)
2000	255,308	-24.5	437,587	-16.1
2001	238,035	-6.8	352,159	-19.5
2002	429,135	80.3	346,679	-1.6
2003	748,990	74.5	759,099	119.0
2004	789,583	5.4	795,854	4.8
5-Yr CAGR	...	18.5	...	8.8
5-Yr Change	...	133.6	...	52.5
03/2004	223,382	19.0	225,538	17.6
03/2005	246,164	10.2	247,697	9.8

Period Ending	NPW		NPE	
	(\$000)	(% Chg)	(\$000)	(% Chg)
2000	158,918	-6.2	153,621	-7.4
2001	112,556	-29.2	95,532	-37.8
2002	-89,416	-99.9	...	-99.9
2003	...	100.0	...	...
2004	...	...	...	...
5-Yr CAGR	...	-99.9	...	-99.9
5-Yr Change	...	-99.9	...	-99.9
03/2004	...	...	...	...
03/2005	...	...	...	...

Reserve Quality: The group has experienced adverse loss reserve development in the last five calendar years but overall development moderated considerably during 2004, as CNA recorded adverse development of approximately \$257 million, or 1.4% of originally estimated loss reserves. Historical calendar year development includes \$90 million in

calendar year 2000, and the substantial loss reserve charges of \$2.4 billion in 2001 and \$2.3 billion in 2003. Loss reserve strengthening in 2001 was related to both core loss reserves and asbestos and environmental (A&E) reserves. During 2003, the reserve charge affected primarily core reserves on accident years 2000 and prior and to a lesser extent, APMT reserves. Within the core reserves, workers' compensation and construction defect reserves were particularly affected. Adverse loss reserve in 2004 is related primarily to workers' compensation loss reserves and assumed liability reinsurance business due to the commutation of a reinsurance treaty. Finally, recent accident year loss experience has improved significantly as the vast majority of adverse development is attributed to accident years 2000 and prior. Driving these improvements are the group's exit of high hazard casualty business, improved underwriting fundamentals and management's proactive stance in identifying and addressing potential loss reserve shortfalls.

According to A.M. Best's estimates, CNA ranks among the top five insurers in the nation that are potentially exposed to emerging environmental and asbestos claims. Following the charges taken in 2003, CNA's year-end gross and net A&E reserves and other mass tort liabilities stood at \$4.2 billion and \$2.3 billion respectively. In 2004, CNA's gross and net A&E and other mass tort liabilities declined to approximately \$4.0 billion and \$2.2 billion, respectively. The group had greatly reduced its uncertainty related to the Fibreboard case reflective of the trilateral agreement reached in 1993 that independently resolved CNA's potential liabilities on the Fibreboard policies as a back-up to the global settlement. Through 2004, the group paid approximately \$1.8 billion related to the settlement which contributed to the significant decline in overall loss reserves.

CNA's three-year survival ratio (reserves to average paid losses) at year-end 2004, excluding Fibreboard reserves and paid, was 18.2 and 5.2 for asbestos and environmental respectively. These survival ratios compare unfavorably against A.M. Best's ultimate, undiscounted industry survival ratio of 20 for both asbestos and environmental liabilities. However, on a discounted basis, CNA's three-year survival ratio for asbestos exposure appears to be reasonable. Ultimately, A.M. Best believes that CNA's exposure to the ongoing emergence of A&E claims is manageable and is largely mitigated by its improved overall loss reserve position.

#### LOSS & ALAE RESERVE DEVELOPMENT: ACCIDENT YEAR (\$000)

Accident Year	Original Loss Reserves	Developed Reserves Thru 2004	Develop. to Orig. (%)	Unpaid Reserves @ 12/2004	Acc Yr. Loss Ratio	Acc Yr. Comb Ratio
1999	...	...	...	...	...	33.5
2000	...	...	...	...	...	34.7
2001	...	...	...	...	...	40.3
2002	...	...	...	...	...	...
2003	...	...	...	...	...	...
2004	...	...	...	...	...	...

Reinsurance Utilization: CNA's reinsurance utilization has increased significantly over the last several years primarily due to the company piercing its aggregate corporate stop loss reinsurance agreements that are in place for accident years 1999-2001 in calendar years 2001 and 2003. Ceded premiums and recoverables continue to be impacted from the utilization of prior year finite programs based on the loss ratio of certain accident years. CNA's retention did increase in 2004 due to reduced cessions reflective of stable loss reserve development on older accident years. It is worthwhile to note that in 2004, CNA has not purchased a corporate aggregate stop loss treaty in the past few years.

As the group writes primary business predominantly in North America, it is exposed to various perils, particularly earthquakes and hurricanes. Catastrophe mitigation strategies include mandatory wind deductibles in coastal areas, reduced earthquake sub-limits and reduced concentrations in the most susceptible catastrophe areas. This is evident when assessing CNA's net losses attributed to the four Florida Hurricanes, as the impact of these storms was relatively minimal despite CNA's large presence in the state. CNA's net catastrophe leverage as depicted in a probable maximum loss (PML) analysis is limited to less than 10% of surplus. Additionally, being one of the largest commercial lines writers in the United States, the group remains exposed to potential terrorist-related losses.

## CEDED REINSURANCE ANALYSIS (\$000)

Year	Company				Industry Composite		
	Ceded Reins Total	Business Retention (%)	Rein Rec to PHS (%)	Ceded Reins to PHS (%)	Business Retention (%)	Rein Rec to PHS (%)	Ceded Reins to PHS (%)
2000	...	57.0	...	...	46.9	94.8	125.7
2001	...	47.0	...	...	33.4	111.5	160.9
2002	...	-20.5	...	...	40.8	129.3	179.8
2003	...	...	...	...	38.9	113.0	167.9
2004	...	...	...	...	43.0	107.9	147.2

## 2004 REINSURANCE RECOVERABLES (\$000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	577,677	1,351,062	337,508	1	2,266,248
Grand Total	577,677	1,351,062	337,508	1	2,266,248

\* Includes Commissions less Funds Withheld

## INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

Year	Company						Industry Composite	
	Class 3-6 Bonds	Real Estate/Mtg.	Other Invested Assets	Common Stocks	Non-Affl Inv. Lev.	Affl Inv.	Class 3-6 Bonds	Common Stocks
2000	0.9	...	12.2	...	13.1	...	0.8	19.8
2001	5.7	...	10.8	...	16.5	...	1.2	17.5
2002	...	...	0.4	...	0.4	...	1.9	16.6
2003	...	...	...	...	...	...	1.3	18.1
2004	...	...	...	...	...	...	1.6	17.4

## LIQUIDITY

The following text is derived from the report of CNA Insurance Companies.

Overall Liquidity: During the five-year period, CNA's overall liquidity measures trail industry norms but improved noticeably in 2004. CNA's liquidity position over the last five years was affected by overall modest cash flow generation in aggregate. However, in 2004, CNA's underwriting results represented more stable fundamentals. Due to this as well as the reduced cessions of premiums to corporate aggregate reinsurance and other treaties, cash flow improved drastically in 2004 on both an underwriting and operating basis. The group also manages the duration of its invested assets to meet its future liability needs. A.M. Best believes that CNA's liquidity is improved and will look for the continued demonstration of stabilized operating fundamentals to benefit the group's long-termed liquidity position.

## LIQUIDITY ANALYSIS

Company	Industry Composite
Gross	Gross

LIQUIDITY ANALYSIS								
Year	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Agents Bal to PHS(%)	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Agents Bal to PHS(%)
2000	16.9	131.1	146.9	16.9	42.5	152.0	194.0	8.7
2001	8.5	133.3	149.6	11.2	34.5	133.9	168.4	11.0
2002	134.5	292.9	292.9	...	33.6	122.9	155.1	16.3
2003	97.5	999.9	999.9	...	34.0	118.5	154.3	14.6
2004	999.9	999.9	999.9	...	35.3	131.2	156.8	12.9
03/2004	XX	999.9	999.9	...	XX	XX	XX	XX
03/2005	XX	999.9	999.9	...	XX	XX	XX	XX

## CASH FLOW ANALYSIS (\$000)

Year	Company			Industry Composite			
	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow(%)	Oper Cash Flow(%)	Underw Cash Flow(%)	Oper Cash Flow(%)
2000	-48,663	-2	12,369	77.1	100.0	92.2	111.2
2001	-117,195	-78,336	-19,842	50.5	66.9	76.7	118.7
2002	-369,440	-327,779	17,098	-10.7	3.8	136.7	152.3
2003	...	730	-12,318	...	...	219.3	203.8
2004	...	3,027	30	...	999.9	191.9	193.0
03/2004	...	-296	12,102	...	...	XX	XX
03/2005	...	1,224	1,245	...	...	XX	XX

## HISTORY

This company was incorporated under the laws of Illinois on March 29, 1974 as the Columbia Casualty Company of Illinois to act as the vehicle for the transfer of the corporate domicile of the Columbia Casualty Company, Lincoln, Neb. The transfer was effected March 29, 1974 with the deletion of the words 'of Illinois' from the corporate title.

The predecessor company was originally incorporated under the laws of Nebraska on March 2, 1900 as The Columbia Fire Insurance Company. It transacted insurance business during the years 1900-1912, inclusive. In the latter year Columbia Fire became dormant and the corporate charter subsequently passed, in June 1919, into the hands of the National Fire Insurance Company of Hartford, where it remained until early 1973. In that year, National Fire sold the Nebraska charter to its parent, Continental Casualty Company, and the company was reactivated as Columbia Casualty Company. Paid up capital of \$4,200,000 consists of 4,200 common shares at a par value of \$1,000 per share. There are 10,000 authorized common shares.

## MANAGEMENT

Since 1974, indirect financial control has been held by Loews Corporation, a publicly traded company with over 185.4 million shares outstanding, trading on the NYSE under the symbol LTR. At that time Loews acquired control of the CNA Financial Corporation, parent holding company of The Continental Corporation. Columbia Casualty Company is directly held by Continental Casualty Company. As of December 31, 2003, Continental Casualty Company is a wholly-owned subsidiary of The Continental Corporation, an insurance holding corporation domiciled in the State of New York.

Stephen W. Lilienthal was named Chief Executive Officer of CNA Financial Corporation and Chairman and Chief Executive Officer of CNA Insurance Companies on August 26, 2002, and Chairman of the Board of CNA Financial Corporation in April of 2004. Mr. Lilienthal joined CNA in July 2001 as President and Chief Executive Officer of CNA Property & Casualty Operations, CNA's largest operating segment. Mr. Lilienthal joined CNA from the St. Paul Companies and before that he was with USF&G.

Officers: Chairman of the Board, President and Chief Executive Officer, Stephen W. Lilienthal; Executive Vice President and Chief Financial Officer, D. Craig Mense; Executive Vice President, Secretary and General Counsel, Jonathan D. Kantor; Senior Vice President and Controller, Lawrence J. Boysen; Senior Vice President, Timothy R. Morse; Vice President and Treasurer, Dennis Hemme.

Directors: Jonathan D. Kantor, James R. Lewis, Stephen W. Lilienthal, D. Craig Mense, Thomas Pontarelli.

#### REGULATORY

An examination of the financial condition was made as of December 31, 1998 by the Insurance Department of Illinois. An annual independent audit of the company is conducted by Deloitte & Touche, LLP. An annual evaluation of reserves for unpaid losses and loss adjustment expenses is made by Ronald J. Swanstrom, FCAS, MAAA, Senior Vice President and Senior Actuarial Officer.

#### TERRITORY

The company is licensed in Illinois. It also operates on a surplus lines or non-admitted basis in the District of Columbia, AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY.

#### REINSURANCE PROGRAMS

The following text is derived from the report of CNA Insurance Companies.

The group has an extensive reinsurance program that utilizes treaty and facultative reinsurance on both a quota share and excess of loss basis. The general guideline for maximum net retention per risk, for both property and casualty business, is \$5 million, although in some lines of business retentions exceed this threshold. The increased retentions on traditional treaty reinsurance programs over the last several years have resulted in a substantial reduction in ceded premium. The purchase of aggregate finite reinsurance is not being made.

The group maintains property catastrophe reinsurance that affords recovery of 90% of \$300 million excess of a \$200 million retention. Workers' compensation catastrophe reinsurance is also purchased with limits up to \$100 million. The principal unaffiliated reinsurers are American Re-Insurance Corporation, Everest Reinsurance Corporation, Swiss Reinsurance America Corporation, and Transatlantic Reinsurance Company.

The group's 50% owned Hawaiian insurance subsidiary, First Insurance Company of Hawaii (FICOH), maintains separate programs for its property catastrophe exposures which provide protection, in five layers for \$190 million excess of \$10 million. The program features a co-participation of up to 6% in each layer. The group also purchases additional property catastrophe coverage with limits of \$300 million excess of the \$200 million underlying program. Additionally, FICOH has purchased reinsurance coverage for both certified and non-certified terrorism events for their property and workers' compensation programs. The program limits are \$20 million excess of \$10 million.

#### BALANCE SHEET (\$000)

ADMITTED ASSETS	12/31/2004	12/31/2003	2004 %	2003 %
Bonds	121,701	20,257	97.5	16.6
Cash & short-term invest	1,278	1,248	1.0	1.0
Total invested assets	122,979	21,505	98.5	17.6

## BALANCE SHEET (\$000)

Accrued interest	1,437	243	1.2	0.2
All other assets	456	100,305	0.4	82.2
Total assets	124,871	122,053	100.0	100.0

LIABILITIES & SURPLUS	12/31/2004	12/31/2003	2004 %	2003 %
All other liabilities	21	1,280	0.0	1.0
Total liabilities	21	1,280	0.0	1.0
Capital & assigned surplus	111,500	111,500	89.3	91.4
Unassigned surplus	13,350	9,273	10.7	7.6
Total policyholders' surplus	124,850	120,773	100.0	99.0
Total liabilities & surplus	124,871	122,053	100.0	100.0

## SUMMARY OF 2004 OPERATIONS (\$000)

STATEMENT OF INCOME	12/31/2004	FUNDS PROVIDED FROM OPERATIONS	12/31/2004
Net investment income	3,688	Investment income	3,320
Pre-tax oper income	3,688	Pre-tax cash operations	3,320
Realized capital gains	140		
Income taxes incurred	...	Income taxes pd (recov)	293
Net income	3,828	Net oper cash flow	3,027

## INTERIM BALANCE SHEET

ADMITTED ASSETS	03/31/2005		
Cash & short term invest	2,523	...	...
Bonds	121,424	...	...
Total investments	123,946		
Accrued interest	1,576	...	...
All other assets	343	...	...
Total assets	125,865		
LIABILITIES & SURPLUS	03/31/2005		
All other liabilities	21	...	...

## INTERIM BALANCE SHEET

Total liabilities	21		
Capital & assigned surp	111,500	...	...
Unassigned surplus	14,344	...	...
Policyholders' surplus	125,844		
Total liabilities & surplus	125,865		

## INTERIM INCOME STATEMENT

	Period Ended 3/31/2005	Period Ended 3/31/2004	Increase/ Decrease
Net investment income	...	426	677
Pre-tax operating income	1,102	426	677
Realized capital gains	...	51	-51
Net income	1,102	477	625

## INTERIM CASH FLOW

	Period Ended 3/31/2005	Period Ended 3/31/2004	Increase/ Decrease
Investment income	1,224	-296	1,520
Pre-tax cash operations	1,224	-296	1,520
Net oper cash flow	1,224	-296	1,520

LOAD-DATE: August 18, 2005

